

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5113-03  
Bill No.: Perfected HCS for HB 1898  
Subject: Utilities; Property, Real and Personal; Taxation and Revenue - Property  
Type: Original  
Date: April 5, 2016

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Bill Summary: This proposal authorizes telephone companies to elect to have their tangible person property assessed in accordance with a depreciation schedule.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Blind Pension	\$0	(\$45,618 to \$91,235)	(\$45,618 to \$91,235)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>(\$45,618 to \$91,235)</b>	<b>(\$45,618 to \$91,235)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Local Government</b>	<b>\$0</b>	<b>(\$3,045,880 to \$6,091,762)</b>	<b>(\$3,045,880 to \$6,091,762)</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Office of the State Auditor** assume the current proposal would not fiscally impact their agency.

Officials from the **State Tax Commission (TAX)** state the fiscal impact from this proposal is difficult to project with the primary impact being on the taxing districts throughout the state. Telephone Companies electing to be assessed for property other than land and buildings pursuant to Section 137.122 do not currently report this property in a manner that allows TAX to definitively project the impact of this proposal. TAX was able to acquire the necessary information utilized in Section 137.122 on 4 telephone companies operating in Missouri. The results of these calculations varied greatly ranging in a reduction of 14% to 77% in the taxable valuation of the qualifying property. The impact of this legislation will vary significantly from company to company and will be influenced by criteria such as the age of the property being valued and the percentage of the overall valuation that is attributed to Land and Buildings. Upon review of the 67 telephone companies the TAX values, their prior renditions, and afore - mentioned data, our estimates are that the overall impact to the assessed value of telephone companies will reduce by 25% to 50%. School districts represent 66% of property tax liability; therefore, with the schools being held harmless in this version of the proposal, 66% of the original impact provided has been eliminated. The potential fiscal impact that remains on political subdivisions such as cities, counties, fire districts and others represents 33% of the original fiscal impact. Therefore, the fiscal impact associated will be in the range of \$3-6 million.

- Total Assessed Valuation of Telephone Companies valued by TAX: **\$608,233,531**
- Current Tax Dollars Generated (based on average levy of \$6.07): **\$36,919,775**
- Projected Range of Assessed Value if proposed legislation enacted: **\$304,116,765 - \$456,175,148**
- Fiscal Impact (Potential Revenue Loss) to the taxing districts in Missouri: **\$3,045,880-\$6,091,762**
- Fiscal Impact (Potential Revenue Loss) to the Blind Pension Fund (based on a tax levy of \$.03): **\$45,618-\$91,235**

Officials from the **County of St. Louis** assume the current proposal would not fiscally impact their local political subdivision.

Officials from the **County of Boone** assume this proposal would cost its taxing entities about \$232,000 annually. As an example, the tax on a single \$5,000,000 aircraft would be reduced from \$110,000 to \$16,500.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>BLIND PENSION FUND</b>			
<u>Loss</u> - Reduction of Property Tax Collections	\$0	(\$45,618 to <u>\$91,235</u> )	(\$45,618 to <u>\$91,235</u> )
<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b><u>(\$45,618 to \$91,235)</u></b>	<b><u>(\$45,618 to \$91,235)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Loss</u> - Reduction of Property Tax Collections	\$0	(\$3,045,880 to <u>\$6,091,762</u> )	(\$3,045,880 to <u>\$6,091,762</u> )
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>(\$3,045,880 to \$6,091,762)</u></b>	<b><u>(\$3,045,880 to \$6,091,762)</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

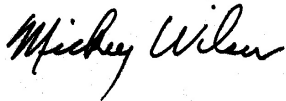
Currently, a telephone company has their tangible personal property assessed in the same manner as a railroad. This bill allows a telephone company to annually elect to have their tangible personal property assessed in accordance with depreciation schedules.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

L.R. No. 5113-03  
Bill No. Perfected HCS for HB 1898  
Page 5 of 5  
April 5, 2016

SOURCES OF INFORMATION

State Tax Commission  
Office of the State Auditor  
County of St. Louis  
County of Boone

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
April 5, 2016

Ross Strobe  
Assistant Director  
April 5, 2016